



**Colorado Department of Personnel and Administration
2013 Legislative Agenda Proposal**

Title of Proposal: Elimination of Requirement for state agencies to obtain an appraisal prior to entering into a contract to purchase or an option to purchase real property.

Background: When a state department, institution or agency enters into a contract to purchase a property, the contract contains a provision making the purchase obligation contingent upon obtaining a third party appraisal confirming the purchase price. When a department, institution or agency enters into a lease of a property with an option to purchase in the future we are required by statute to pay for an appraisal even if we never purchase the property.

Current statute requires a state agency or institution to acquire and pay for an appraisal prior to entering onto a purchase agreement or option agreement to purchase real property. The proposed change would require that any purchase agreement entered into by a state entity would contain a provision making the purchase subject to the receipt of an appraisal from a licensed appraiser. It will eliminate the need to acquire and pay for an appraisal prior to entering into an option to purchase that is sometimes part of a long term lease agreement.

Fiscal and Economic (Jobs) Impact: The removal of the requirement for a third party appraisal when entering into a contract to purchase a property, specifically when the option to purchase is in the future, eliminates an inefficiency and allows the state to avoid a cost that would otherwise be required in the absence of the proposed legislation. In the experience of the Department, this type of third party appraisal occurs on average only once per year throughout the State.

Commercial real estate appraisals range dramatically in price based on the size of the property and complexity of the appraisal. In the experience of the Department, appraisals of vacant lots have a cost of approximately \$3,500. Appraisals of buildings with square footage between 50,000 and 100,000 can range from approximately \$15,000 to \$25,000.

Because of the large range of costs and the infrequency of the need of the third party appraisal when the option to purchase is in the future, the Department views the proposed legislation as primarily reducing inefficiencies with the added benefit of potentially avoiding costs that would have otherwise been required.

Consequences if Denied: State agencies would continue with the inefficient practice of having to use resources on a third party appraisal when entering into an option to purchase. An agency will still be required to obtain a third party appraisal when entering into a contract to purchase.